

Message Text

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PASS TREASURY, FEDERAL RESERVE (KICHLIN) AND
SEC (REILLY)

E.O. 11652: N/A
TAGS: EFIN, OECD, ECON
SUBJECT: MARCH 10-11 MEETING OF COMMITTEE ON FINANCIAL
MARKETS

REF: (A) CMF/A(77)1; (B) OECD PARIS 33477, (C) OECD
PARIS 7472

1. SUMMARY: COMMITTEE ON FINANCIAL MARKETS (CFM):

(A) ELECTED OFFICERS (INCLUDING U.S. DEL AS
VICE-CHAIRMAN);

B) HAD BRIEF TOUR D'HORIZON CONCENTRATING ON DOMESTIC
FINANCIAL MARKETS;

C) HEARD REPORT ON MARCH 9 RESTRICTED MEETING WITH
PRIVATE BANKERS;

D) DISCUSSED CERTAIN TECHNICAL ASPECTS OF LDC ACCESS
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TO CAPITAL MARKETS (REF C);

E) MADE SOME PROGRESS ON EARLIER U.S. PROPOSAL TO
EXAMINE IMPEDIMENTS TO INTERNATIONAL FLOWS OF PORTFOLIO
CAPITAL;

F) DISCUSSED STATUS OF COMPLIANCE (POOR) WITH VARIOUS

COUNCIL RECOMMENDATIONS REGARDING SECURITIES--DIS-CLOSURE REQUIREMENTS, RESTRICTIONS ON LISTED VS. ON UNLISTED SECURITIES, REGULATIONS FOR OFFER AND LISTING OF FOREIGN SECURITIES, AND STANDARD RULES FOR INSTITUTIONS FOR COLLECTIVE INVESTMENT IN SECURITIES;

G) VOICED NO OBJECTION TO DERESTRICTION OF BI-MONTHLY "FINANCIAL MARKET TRENDS";

H) HAD BRIEF EXCHANGE OF VIEWS ON FUTURE WORK PROGRAM; AND

I) HEARD BRIEF REPORT FROM SECRETARIAT ON PLANS TO COMMISSION CONSULTANT STUDY OF COMECON FINANCING AS PART OF OECD EAST-WEST WORK PROGRAM. END SUMMARY

2. CFM MET MARCH 10 AND 11, WITH CONSIDERABLE TIME DEVOTED TO SPECIFIC ISSUES AS OPPOSED TO GENERAL CONDITIONS IN FINANCIAL MARKETS. LIEFRINCK (NETHERLANDS) WAS RE-ELECTED CHAIRMAN. DE RIVAS (SWITZERLAND) AND LANGE (U.S.) WERE ELECTED VICE-CHAIRMEN.

3. EAST-WEST FINANCIAL RELATIONSHIPS. SECRETARIAT'S ORAL REPORT ON RECENT OECD ACTIVITIES AFFECTING CFM CONSISTED IN LARGE PART OF REVIEWING GENESIS AND STATUS OF EAST-WEST STUDY UNDERWAY AND RELEVANT PREVIOUS CFM WORK. SECRETARIAT INFORMED CFM THAT IT HAD ARRANGED FOR A STUDY ON COMECON BALANCE OF PAYMENTS FINANCING BY A CONSULTANT TO BE CARRIED OUT ONCE BUDGET FUNDS LIMITED OFFICIAL USE

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SET ASIDE FOR THIS PURPOSE ARE UNFROZEN. CFM WOULD RECEIVE THE RESULTING REPORT FOR REVIEW HOPEFULLY BY ITS NOVEMBER MEETING. (ULTIMATE END-USE, I.E., MANNER IN WHICH REPORT WOULD BE INCORPORATED INTO OVERALL EAST-WEST STUDY, IS NOT YET CLEAR.) CHAIRMAN DEFLECTED PLEA OF ITALIAN DEL THAT THIS REPORT CONTAIN PROPOSALS FOR FUTURE ACTIONS--E.G., JOINT FINANCING OF EXPORTS TO COMECON. SECRETARIAT ALSO POINTED OUT THAT OTHER OECD BODIES ARE RESPONSIBLE FOR TRADE AND TRADE FINANCE QUESTIONS.

4. TOUR D'HORIZON. CMF HEARD STATEMENTS ON NATIONAL FINANCIAL MARKETS FROM SELECTED COUNTRIES. FOLLOWING SUMMARIES REFLECT THESE, AS WELL AS RESPONSES TO SECRETARIAT'S QUESTIONS:

(A) U.S. (KICHLIN). RECENT ADVERSE WEATHER AND PROSPECTIVE FISCAL PACKAGE MAY CREATE DIFFICUL-

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TIES IN ANALYZING DEVELOPMENTS OVER NEXT FEW MONTHS,
AND INDICATORS IN FINANCIAL MARKETS MIGHT BE
TRANSITORY--E.G., AGGREGATES LIKELY TO SHOW TEMPORARY
BULGE (PERHAPS 6-8 PERCENT ABOVE TRENDS FOR TWO
MONTHS) FOLLOWING TAX REBATE. LIQUIDITY POSITION OF
BOTH FINANCIAL AND NON-FINANCIAL SECTOR HAS IMPROVED,
BUT BORROWING WILL BE SUSTAINED BY SOME RISE IN PRIVATE
CREDIT DEMAND AND CONTINUED HIGH LEVELS OF TREASURY
FINANCING NEEDS (PERHAPS \$75 BILLION IN 1977 RATHER
THAN \$70 BILLION AS FORESEEN BY SECRETARIAT, ALTHOUGH
CURRENT SHORTFALL IN GOVERNMENT SPENDING COULD REDUCE
THIS FIGURE). TREASURY BORROWING WILL PROBABLY TEND
TOWARD SHORTER MATURITIES. DEMAND HAS BEEN STRONG FOR
MORTGAGE CREDIT, WEAK FOR CONSUMER CREDIT. SHORT-TERM
RATES MAY FIRM, BUT ANY RISE IN LONG-TERM INTEREST
RATES WOULD BE LIMITED WITH PROSPECT OF CONSIDERABLE
SUPPLY OF LONG-TERM FUNDS AND RELATIVELY SLACK PRIVATE
DEMAND FOR BOND AND EQUITY FINANCE DUE TO RESTRUCTURING
OF BALANCE SHEETS. INCREASED CORPORATE BORROWING IN
EURO-MARKET HAS BEEN MODERATE AND PERHAPS REFLECTS
INCREASED PENETRATION BY SMALL AND MEDIUM U.S. FIRMS

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RATHER THAN AN INCREASE IN OVERALL CORPORATE CREDIT DEMAND.

(B) FRG (SOBBE, BUNDESBANK). RECENT SIGNS POINT TO CONTINUED ECONOMIC EXPANSION. INTEREST RATES ARE TENDING DOWN, AND RECENT SLACKNESS IN GROWTH OF CENTRAL BANK MONEY IS CONSISTENT WITH THE 8 PERCENT YEAR-OVER-YEAR TARGET. THIS TARGET IS ADEQUATE FOR 5 PERCENT REAL GROWTH AND 4 PERCENT INFLATION ENVISIONED FOR 1977, WHEN EXPECTED ONE PERCENT INCREASE IN VELOCITY IS TAKEN INTO ACCOUNT. THORAND (FINANCE MINISTRY) EXPECTED 1977 PUBLIC SECTOR DEFICIT OF DM 42 BILLION (OF WHICH: FEDERATION 23, LAENDER 14, MUNICIPALITIES 5), BUT SAID IT MIGHT BE SMALLER IN VIEW OF RECENT MODERATE WAGE SETTLEMENT WITH PUBLIC EMPLOYEES. SOCIAL INSURANCE FUND WILL REQUIRE DM 3.7 BILLION, OF WHICH 0.8 ALREADY PLACED--I.E., ITS IMPACT WOULD NOT BE VERY SIGNIFICANT. REGARDING LIKELY TIMING, FEDERATION AIMS AT PRO RATA FINANCING OF ITS DEBT, AND WOULD PREFER 7-10 YEAR MATURITIES. WHILE SUPPLY OF FUNDS FROM HOUSEHOLDS IS NOT EXPECTED TO SHOW LARGE INCREASE, BOND MARKET IS ABSORPTIVE (BANKS UNLIKELY TO CEASE BEING MAJOR PURCHASERS) AND RATES ARE UNLIKELY TO RISE. EXTERNAL FINANCING IN THE PAST HAS BEEN EXCEPTIONAL IN NATURE (REFLECTING SPECIAL, NO LONGER EXISTANT, "CONTACTS" WITH SWISS BANKS) AND MODEST IN AMOUNT, AND NO FURTHER RECOURSE IS FORESEEN. SOBBE DID NOT THINK SHORT-TERM RATES WERE TOO HIGH (POLICY IS TO KEEP THEM AT LOMBARD RATE--THIS WAS PURPOSE OF RECENT INCREASE IN REDISCOUNT QUOTAS).

(C) SWITZERLAND (DE RIVAS). FAILURE OF RECENT BOND ISSUE BEARING 3.75 PERCENT COUPON WAS PROBABLY AN ACCIDENT RATHER THAN SIGN OF CHANGE IN TREND. MOST FACTORS POINT TO CONTINUED ROOM FOR NEW ISSUES, AND IF LIMITED OFFICIAL USE

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SUBSTANTIAL UPWARD PRESSURE ON RATES EMERGED THE CONFEDERATION MIGHT STAY OUT OF THE MARKET. RENEWED TREND TOWARD DEPRECIATION OF FRANC WOULD BE ONLY POTENTIAL FACTOR PUSHING INTEREST RATES UP. IF SIGNIFICANT UPWARD PRESSURE ON INTEREST RATES DEVELOPED FROM OTHER CAUSES (WHICH IS NOT EXPECTED) IN TANDEM WITH DOWNWARD PRESSURE ON EXCHANGE RATES, GOS WOULD PROBABLY BE LED TO RESTRAIN CAPITAL EXPORTS. DE RIVAS CALLED MASSIVE SWISS CURRENT ACCOUNT SURPLUS "ACCIDENTAL" AND SAID MONETARY POLICY WAS SUFFICIENTLY

ACCOMMODATIVE. HE INDICATED THAT SWISS NATIONAL BANK IS CONTEMPLATING CREATION OF A MONEY MARKET BY ISSUING APPROPRIATE PAPER.

(D) JAPAN. CORPORATE DEMAND FOR FUNDS IS WEAK. BOND MARKET IS DOMINATED BY THE GOVERNMENT, BUT THERE IS NO INDICATION OF CROWDING OUT. RECENT DECREASE IN YIELD ON NEW INDUSTRIAL BONDS IS NOT EXPECTED TO HAVE MUCH EFFECT IN STIMULATING INVESTMENT. ISSUING CONDITIONS FOR NEW FOREIGN YEN BONDS LARGELY REFLECT SITUATION IN SECONDARY MARKET (RECENT MANITOBA ISSUE OBTAINED VERY FAVORABLE TERMS OF 8.6 PERCENT). EXEMPTION FROM WITHHOLDING TAX IS AVAILABLE TO ALL ISSUES UNDER YEN 3 BILLION, NOT JUST ISSUES OF FOREIGN CENTRAL BANKS AND INTERNATIONAL FINANCIAL INSTITUTIONS, AND GOJ IS STUDYING POSSIBILITY OF EXTENDING EXEMPTION TO LARGER ISSUES.

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(E) U.K. VIRTUOUS CIRCLE HAS PREVAILED RECENTLY WHEREBY APPRECIATING EXCHANGE RATE LEADS TO LOWER INTEREST RATE AND THUS FACILITATES FINANCING OF PUBLIC DEBT OUTSIDE BANKING SECTOR, THEREBY PRODUCING BETTER STATISTICS ON MONETARY AGGREGATES WHICH FEED BACK INTO OPTIMISTIC VIEW ON STERLING. INTEREST RATES

ARE LIKELY TO FALL FURTHER UNLESS ACCIDENT OCCURS (E.G., BREAKDOWN IN INCOME POLICIES). BOE RECENTLY OVERRODE MARKET-DETERMINED FORMULA FOR MINIMUM LENDING RATE BECAUS IT WAS CONCERNED THAT A TOO RAPID FALL IN MLR WOULD ELIMINATE THE INCENTIVE FOR PURCHASING GILTS ENTAILED BY THE PROSPECT OF A STEADY FALL IN INTEREST RATES.

(F) ITALY. TERM STRUCTURE OF INTEREST RATES HAS BEEN INVERTED FOR LONGER THAN CAN BE CONSIDERED USUAL, AND AUTHORITIES ARE WORKING TOWARD REMOVAL OF ARTIFICIAL FORCES HOLDING DOWN LONG-TERM RATES. TO EXTENT THAT ELIMINATION OF BANKS' FORCED PURCHASE OF BONDS CHANNELS MONEY INTO SHORTER-TERM INSTRUMENTS, SHORT-TERM INTEREST RATES MIGHT DROP.
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(G) FRANCE. INTEREST RATES HAVE DECLINED IN WAKE OF STABILIZATION OF FRANC AND MAY DECLINE FURTHER IF INFLATION SUBSIDES, BUT THEY WILL BE RAISED IF NECESSARY TO DEFEND THE FRANC. HOWEVER, LONGER TERM RATES ARE UNLIKELY TO FALL MUCH, IF AT ALL.

5. MARCH 9 RESTRICTED MEETING WITH PRIVATE BANKERS. CHAIRMAN REPORTED ON MEETING WITH BANKERS, STRESSING THAT WIDE-RANGING NATURE OF DISCUSSIONS (AND SOME DIVERGENCY OF VIEWS) MADE IT DIFFICULT TO SUMMARIZE. ON INTEREST RATES, MOST BANKERS EXPECTED SHORT-TERM RATES IN EURO-DOLLAR SECTOR TO MOVE UP IN REACTION TO INCREASED CORPORATE AND PUBLIC DEMAND, WITH PERHAPS SOME MODEST RISE IN LONGER-TERM RATES. EURO-DM RATES ARE LIKELY TO REMAIN STABLE. IN THE INTERNATIONAL BOND MARKET, EXPECTED CHANGE IN INTEREST RATE STRUCTURE HAS INCREASED HESITANCY (VOLUME HAS STABILIZED, MATURITIES ARE RUNNING 7-10 YEARS) BUT IT WILL REMAIN A SIGNIFICANT CHANNEL OF FUNDS, ALBEIT MORE SUBDUED AND MORE SELECTIVE. VOLUME OF FOREIGN BOND ISSUES IN NEW YORK CONTINUES LARGE. SYNDICATED EURO-CURRENCY CREDITS REMAIN STRONG (EXCEEDING 1976 RATE) IN VIEW OF AMPLE LIQUIDITY AND ATTRACTIVE PROFIT MARGINS. BUT BANKS WILL BE MORE SELECTIVE AND GIVE PREFERENCE TO PROJECT LOANS WITH QUICK PAYOFFS. SECRETARIAT NOTED THAT SOME BANKERS HAD CALLED FOR REQUIRING WEAKER BORROWING COUNTRIES TO ADOPT ADJUSTMENT PROGRAMS, PERHAPS VIA A LINK WITH THE IMF, BUT THAT OTHERS CONSIDERED THAT SUCH A LINK COULD CREATE DIFFICULTIES. IN RESPONSE TO SECRETARIAT'S COMMENT THAT MANY BANKERS FELT THAT CHAIRMAN BURNS HAD "GONE TOO FAR" IN CRITICIZING BANK LENDING TO LDC'S IN HIS FEB. 23 EXCHANGE WITH SEN. HUMPHREY, U.S. DEL (KICHLIN) SUGGESTED THAT PRESS

REPORTS HAD OVERPLAYED HIS REMARKS BUT NOTED THAT
CHAIRMAN BURNS WAS TESTIFYING IN A FEW HOURS ON THIS
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ISSUE. (NOTE: ABOVE CHAIRMAN'S SUMMARY OMITTED INTER-
ALIA FOLLOWING POINTS MADE BY SELECTED BANKERS: (A)
INTENSIVE COMPETITION AMONG BANKS HAS CAUSED EXCESSIVE
LENDING TO MORE ADVANCED LDC'S, PARTICULARLY BRAZIL;
ALGERIA IS TRYING TO FINANCE MORE CAPITAL PROJECTS
THAN IT CAN EFFICIENTLY DIGEST; GENERALLY, SCOPE FOR
BANKS TO CONTINUE TO RECYCLE OPEC SURPLUSES IS
DIMINISHING AND THEREFORE A GREATER GOVERNMENT ROLE,
E.G., VIA LARGER OFFICIAL LENDING FACILITIES,
MAY BE ESSENTIAL. IMF REP (VAN HOUTVEN) AGREED WITH CON-
CEPT OF LINKING COMMERCIAL BANK LENDING TO IMF CONDITION-
ALITY BUT HAD NO ANSWER WHEN ASKED WHAT BANKS WOULD DO IF
AN LDC CAME TO A BANK WITH A "GOOD HOUSEKEEPING SEAL"
FROM THE IMF, BUT HAD ALREADY BORROWED MAXIMUM POSSIBLE
FROM IMF.

6. LDC ACCESS TO CAPITAL MARKETS. SEE REF C FOR
REPORT ON DISCUSSION OF THIS ITEM.

7. IMPEDIMENTS TO INTERNATIONAL FLOWS OF PORTFOLIO
CAPITAL (U.S. PROPOSAL). CFM DEVOTED MORNING OF SECOND
DAY TO THIS AGENDA ITEM. DISCUSSIONS TOOK PLACE ON
TWO PLANES: (A) GENERAL DEBATE ON THE MERITS OF AN
EXERCISE AS PROPOSED BY THE U.S.; (B) SOME EXCHANGES ON
THE PRELIMINARY SURVEY SUBMITTED BY U.S.--CMF(77)1/07.

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(A) GENERAL DEBATE. THANKS TO GREATER FAMILIARITY OF DELEGATES WITH U.S. PROPOSAL, HELPFUL SECRETARIAT NOTE CMF(77)1 AND INTRODUCTION BY CHAIRMAN WHICH EMPHASIZED ABSENCE OF CONFLICT WITH INVISIBLES COMMITTEE, CFM HAD MORE FRUITFUL DISCUSSION OF PROPOSAL THAN AT NOVEMBER MEETING. IT WAS GENERALLY RECOGNIZED THAT CATALOGUING THE KIND OF IMPEDIMENTS LISTED BY THE U.S. WOULD INDEED BE USEFUL; HOWEVER, SEVERAL DELS CAUTIONED THAT SUCH IMPEDIMENTS ARE OF A SECONDARY ORDER OF MAGNITUDE IN COMPARISON WITH (A) CAPITAL RESTRICTIONS MAINTAINED FOR BALANCE OF PAYMENTS REASONS AND (B) THE UNCERTAINTY ENGENDERED BY FLUCTUATING EXCHANGE RATES. ACCORDINGLY, THESE DELS (PARTICULARLY U.K.) WONDERED WHETHER IT WOULD BE WORTHWHILE TO PURSUE THESE "SECOND LINE" IMPEDIMENTS VERY FAR. (HOWEVER, ONLY AUSTRALIA VOICED CLEAR PREFERENCE FOR DROPPING THE EXERCISE ENTIRELY.) SECRETARIAT (BERTRAND AND HACKETT) INDICATED INTEREST IN BROADENING STUDY. FOR INSTANCE, TENDENCY TOWARD PRICE AND DIVIDEND RESTRICTIONS IN CONTEXT OF INCOMES POLICIES AND INCREASED LIMITED OFFICIAL USE

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WORKER PARTICIPATION IN MANAGEMENT MAY BE REDUCING SCOPE FOR INTERNATIONAL TRANSACTIONS IN EQUITIES. ALSO, THERE MAY BE MANY UNDERLYING IMPEDIMENTS OF A PURELY DOMESTIC DIMENSION -- E.G., BIAS AGAINST EQUITY VS. DEBT FINANCING ENTAILED BY DOUBLE TAXATION OF DIVIDENDS -- WHICH SHOULD NOT BE DIVORCED FROM INTERNATIONAL CONSIDERATIONS. EC OBSERVER, ON OTHER HAND, SUPPORTED MORE NARROW FOCUS IMPLIED BY U.S. PROPOSAL. HE POINTED OUT THAT EC EXPERIENCE SINCE PORTFOLIO FLOWS WERE LIBERALIZED IN THE SIXTIES INDICATES THAT, DESPITE OBVIOUS OBSTACLE OF EXCHANGE CONTROLS, PRACTICAL PROBLEMS CAN BE IMPORTANT; HE THOUGHT IT WOULD BE USEFUL TO DIRECT THE EXERCISE TOWARD PROBLEMS OF INDIVIDUAL INVESTORS.

(B) SPECIFIC COMMENTS AND QUESTIONS ON CMP(77)1/07. SWISS REP SAID THAT, ON BASIS OF LIMITED CONTACT WITH PRIVATE MARKETS, ONLY A FEW IMPEDIMENTS (APART FROM

EXCHANGE CONTROLS) WERE PERCEIVED. IN THE U.S. AND U.K., THESE WERE PRIMARILY REQUIREMENTS FOR LISTING AND CONTENTS OF PROSPECTUS ("CANNOT EXPECT TO REDUCE SAVER PROTECTION") AND TAXATION (DIFFICULT TO CHANGE). U.S. NOTED THAT RECONSIDERATION OF QUESTION OF U.S. WITHHOLDING TAX COULD NOT BE EXCLUDED. SECRETARIAT (SCHLEPEGRELL) SUGGESTED THAT MARKET INTERMEDIARIES IN EUROPE ARE SIMPLY UNINTERESTED IN HELPING CLIENTS BUY U.S. SECURITIES -- I.E., IT IS LACK OF INFORMATION OR OTHER MARKET IMPERFECTIONS RATHER THAN REGULATORY IMPEDIMENTS WHICH STAND IN THE WAY OF GREATER FLOWS WHEN CAPITAL CONTROLS ARE NOT A FACTOR. (THIS VIEW NOT SHARED BY OTHERS.) COUNTRIES LISTED IN U.S. SUBMISSION INDICATED THEY HAD NOT HAD TIME TO SCRUTINIZE ITS CONTENTS BUT WERE GENERALLY SATISFIED WITH APPROACH, ALTHOUGH FRG DEL DISAGREED WITH EXCLUSION OF "EURO-SECURITIES" FROM SCOPE OF SURVEY. (U.S. AGREED TO EXTEND SURVEY TO EURO-SECURITIES.) LIMITED OFFICIAL USE

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A NUMBER OF DELS APPEARED RELIEVED THAT U.S. SURVEY CONCENTRATED ON WHAT THEY CALLED "TECHNICAL" FACTORS RATHER THAN THEIR BROADER CAPITAL CONTROLS. IN A POSITIVE SUMMING-UP, CHAIRMAN CALLED FOR SUBMISSION IN A FEW WEEKS OF WRITTEN COMMENTS ON THE U.S. SURVEY BY THOSE COUNTRIES COVERED BY U.S., TOGETHER WITH COMMENTS ON SECRETARIAT NOTE, FOLLOWED BY SUBMISSIONS OF THEIR OWN SURVEYS. (OTHER COUNTRIES ARE ALSO WELCOME TO PARTICIPATE IN THIS "VOLUNTARY" EXERCISE.) MEANWHILE, SECRETARIAT WILL DO A NEW NOTE SUMMARIZING THE GENERAL THEMES DEBATED IN THE MEETING -- THIS WILL PRESUMABLY SET THE STAGE FOR CFM AGREEMENT ON A LONG-TERM WORK PROGRAM.

8. COMPLIANCE WITH EARLIER COUNCIL RECOMMENDATIONS REGARDING SECURITIES.

(A) DISCLOSURE REQUIREMENTS AND PROCEDURES TO BE APPLICABLE TO ALL PUBLICLY OFFERED SECURITIES. DRAFT INTERIM REPORT TO THE COUNCIL, CMF(77)6, WAS AGREED TO ON CONDITION THAT FINAL SENTENCE OF PARA 4 BE MODIFIED TO REFLECT VIEW OF COUNTRIES WHICH HAVE NOT COMPLIED WITH L974 COUNCIL RECOMMENDATION THAT AN ABSENCE OF OFFICIAL DISCLOSURE REQUIREMENTS DOES NOT INDICATE A FAILURE TO ASSUME RESPONSIBILITY FOR PUBLICLY OFFERED SECURITIES. SOME COUNTRIES ARE CONSIDERING LEGISLATION, OR HAVE NOT REPORTED CERTAIN EXISTING FORMALITIES, AND IN OTHER

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CASES COUNTRIES BELIEVE THAT EXISTING INFORMAL UNDER-
STANDINGS OR OPERATING PROCEDURES CONSTITUTE SUFFICIENT
PROTECTION. FINAL REPORT WILL BE SUBMITTED BY END-1978.

(B) RESTRICTIONS ON PORTFOLIO INVESTMENT IN UNLISTED
OR UNQUOTED SECURITIES. SECRETARIAT NOTE, CMF(77)7,
MERELY UPDATES SYNOPTIC TABLE IDENTIFYING FIELDS IN
WHICH COUNTRIES MAKE DISTINCTIONS BETWEEN LISTED AND
UNLISTED SECURITIES. IT WAS CONSIDERED THAT A REPORT
TO THE COUNCIL ON COMPLIANCE WITH 1974 RECOMMENDATION
(TO ELIMINATE OR REDUCE SUCH DISTINCTIONS) WOULD NOT
BE USEFUL IN VIEW OF THE VERY MODEST PROGRESS TOWARD
COMPLIANCE. U.S. DEL POINTED OUT THAT IN U.S.
DISTINCTIONS EXIST ENTIRELY IN STATE LAWS (THIS WILL
MEAN APPLYING FOOTNOTE 7 TO ALL ENTRIES FOR U.S.),
AND THAT THERE IS LITTLE PROSPECT OF CHANGE. SOME
OTHER DELS ALSO INDICATED NO LIKELIHOOD OF REMOVAL
OF DISTINCTIONS. CFM AGREED THAT, AFTER TARDY UPDATES
ARE RECEIVED, SECRETARIAT WILL DRAFT AND SEND REPORT TO
COUNCIL REGRETTING THAT LITTLE PROGRESS HAS BEEN MADE
AND STATING THAT NO FURTHER REPORTS WILL BE SUBMITTED.
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(C) REGULATIONS FOR PUBLIC OFFER AND FOR STOCK EXCHANGE LISTING OR QUOTATIONS OF FOREIGN SECURITIES - CMF(77)8. SITUATION AND CFM CONCLUSIONS ON THIS RECOMMENDATION WERE SAME AS FOR B) ABOVE. HOWEVER, IT WAS AGREED THAT, IN GENERAL, EXISTING RESTRICTIONS REGARDING FOREIGN SECURITIES DO NOT ENTAIL SIGNIFICANT DISTINCTION VS. DOMESTIC SECURITIES.

(D) STANDARD RULES FOR OPERATION OF INSTITUTIONS FOR COLLECTIVE INVESTMENT IN SECURITIES. SECRETARIAT NOTE, CMF(77)9, REGARDING IMPLEMENTATION OF 1972 COUNCIL RECOMMENDATION WAS NOT ISSUED IN VIEW OF INSUFFICIENT REPLIES. JUNE SESSION OF CFM WILL RECONSIDER QUESTION.

9. DERESTRICTION OF FINANCIAL MARKET TRENDS.

CFM AGREED TO DERESTRICTION OF BIMONTHLY FMT (WHICH WILL BE UNDERTAKEN BY SECRETARY-GENERAL ON HIS AUTHORITY AND RESPONSIBILITY). U.K. VOICED CAVEATS THAT DERESTRICTED VERSION: (A) CARRY DISCLAIMER OF CFM RESPONSIBILITY FOR CONTENTS; (B) AVOID CITING DATA FOR SINGLE COUNTRIES WHICH HAD BEEN FURNISHED IN CONFIDENCE TO BIS; (C) BE SUBJECT TO PRIOR CONSULTATION ON CONTROVERSIAL POINTS; AND (D) BRING IN SUFFICIENT REVENUE "TO COVER COSTS".

10. WORK PROGRAM. CFM DID NOT HAVE SUFFICIENT TIME TO DISCUSS CMF(77)2, BUT WILL DO SO AT JUNE SESSION. (COMMENT: SECRETARIAT'S IDEAS WITH RESPECT TO SUPPRESSING TOUR D'HORIZON ON FOREIGN EXCHANGE MARKETS AND TO DOING MORE OF CFM'S WORK ON TECHNICAL SUBJECTS IN EXPERTS GROUPS ARE IN LINE WITH PREVIOUS USG THINKING ON CFM'S ROLE.)

11. NEXT MEETING WILL BE JUNE 30 AND JULY 1; NOT LIMITED OFFICIAL USE

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YET DECIDED WHETHER THERE WILL BE BANKERS' MEETING ON THIS OCCASION. NOVEMBER 17-18 TENTATIVELY SET FOR FALL MEETING.

12. THIS MESSAGE NOT CLEARED BY U.S. DELS BEFORE THEIR DEPARTURE.
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Capture Date: 01-Jan-1994 12:00:00 am
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Errors: N/A
Expiration:
Film Number: D770094-0579
Format: TEL
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770343/aaaabkqu.tel
Line Count: 597
Litigation Code IDs:
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Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
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Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 11
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 OECD PARIS 33477, 77 OECD PARIS 197
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3058647
Secure: OPEN
Status: NATIVE
Subject: MARCH 10-11 MEETING OF COMMITTEE ON FINANCIAL MARKETS
TAGS: EFIN, ECON, US, OECD
To: STATE
Type: TE
vdkgvkey: odbcr//SAS/SAS.dbo.SAS_Docs/879a5cb5-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009